

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6887

BILL NUMBER: HB 1137

NOTE PREPARED: Jan 6, 2015

BILL AMENDED:

SUBJECT: State Board of Accounts Fees and Funding.

FIRST AUTHOR: Rep. Saunders

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill establishes the State Board of Accounts audit fee account (account) for the purpose of providing funding for the operations of the State Board of Accounts (SBOA).

- (1) It provides that the SBOA shall administer the account.
- (2) It provides that money in the account at the end of a state fiscal year does not revert to the state General Fund.
- (3) It provides that money in the account may not be transferred from the account to any other account or fund that reverts to the state General Fund.
- (4) It provides that money received by the Treasurer of State for the expense of an examination that is required to be paid by a taxing unit in a county shall be transferred to the account.
- (5) It provides for the continuous appropriation of money in the account.

The bill also provides that the SBOA may charge a fee of \$100 per day for conducting an examination of an entity that is a federal grant recipient. It provides that money from the \$100 fee shall be transferred to the account.

Effective Date: July 1, 2015.

Explanation of State Expenditures: On average, state agencies may incur an additional audit expense of \$12,400, and state universities may incur an additional audit expense of \$22,100 from the additional fee for audit of federal grant recipients. [These estimates may be somewhat overstated. The additional fee for audit of federal grant recipients is to be applied on a per-day basis, while the average audit days which were used

to make this estimate are based on examiner hours.]

Explanation of State Revenues: The bill establishes the nonreverting State Board of Accounts audit fee account within the state General Fund. Money that is currently deposited into the state General Fund will instead go to this dedicated account to be used only for the expenses of the SBOA. [Based on the five-year average revenue from existing audit fees, an estimated \$3.1 M would be deposited in the account.]

Additionally, new revenue to the account is estimated at \$1,647,100 from an added \$100-per-day fee for the examination of entities receiving federal grants.

Additional Information - SBOA Expenditures: In FY 2013, the SBOA had total state General Fund expenditures of \$18.6 M. This exceeds the current and estimated additional fee revenue that would be placed in the dedicated account.

Additional Revenue Calculation: The SBOA audit database lists 258 federal A133 finance and compliance or CAFR examinations in 2013. The audits were matched with the average audit days for the entity resulting in an estimated 16,471 audit days for federal audits. The amounts may be somewhat overstated, because average audit days provided are based on examiner hours. Also, it is unclear if federal grant recipients specified in the bill are different from federal award recipients, who are required to be audited based on criteria in the federal A133 circular.

Explanation of Local Expenditures: Entities that receive federal grants will be subject to an additional \$100-per-day examination fee. The median cost to a political subdivision is estimated to be \$2,150. The table below shows the estimated additional fee by unit type based on the 2013 A133 audits listed. [Average audit days were rounded up.]

Unit	Average Audit Days	Cost
Library	7	\$ 700
Conservancy District-Utility	11	1,100
Other Special District	12	1,200
Regional Water District	12	1,200
Regional Water and Sewer District	17	1,700
Military Reuse Authority	19	1,900
Public Transportation Corporation	20	2,000
Regional Planning Commission	23	2,300
Airport Authority	25	2,500
Town	27	2,700
Regional Sewer District	29	2,900
School	55	5,500
City	71	7,100
County	92	9,200
Median	21.5	\$2,150

Explanation of Local Revenues:

State Agencies Affected: SBOA.

Local Agencies Affected: Political subdivisions receiving federal grants.

Information Sources: 2014 *Indiana Handbook of Taxes, Revenues, and Appropriations*; testimony of Paul Joyce, State Examiner, to the Legislative Council's Audit and Financial Reporting Subcommittee on August 18, 2014; email from Paul Joyce, December 31, 2014; <http://www.in.gov/sboa/resources/reports/audit>.

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